

October 20, 2006

The Honorable Joe Barton
The Honorable John D. Dingell
The Honorable Ed Whitfield
The Honorable Bart Stupak
United States House of Representatives
Washington, D.C. 20515-6115

Re: October 6, 2006 letter to BP America, Inc.

I am responding to the questions raised in your letter of October 6 concerning Compliance Order by Consent No. 02-138-10 ("the COBC") between the State of Alaska and BP Exploration (Alaska) Inc. ("BPXA"). First and foremost, I apologize for our failure to produce the COBC sooner. Because this document was overlooked in our preparations for the September hearings, I have initiated an even broader review of potentially responsive documents and to determine why the document was not presented in the context of our preparations. Some additional documents have already been produced to the Committee and, as more are found, those will also be produced.

With respect to the questions raised in your October 6 letter:

1. Was this Order received by BPXA? If so, by whom, and what actions were taken? If certain of these actions were not taken, explain why not.

The Order was received by BPXA after extensive discussions between the Alaska Department of Environmental Conservation ("ADEC") and BPXA to address issues relating to the ability of BPXA's Prudhoe Bay operations to meet a 1% leak detection threshold as established by ADEC in the late 1990s. The COBC was accepted by BPXA's Prudhoe Bay Operations Manager, Jack Fritts and initiated several activities to demonstrate compliance with the State's leak detection requirement. The COBC was focused on assuring the timely installation of leak detection metering equipment that met the 1% standard and utilized best available technology. All of the COBC tasks were either completed or were subsequently eliminated by ADEC as unnecessary to demonstrate compliance with the 1% leak standard. By December of 2002, BPXA had installed and fully tested the leak detection system. ADEC formally closed out the Order in April 2003. BP has compiled a more detailed chronology of the COBC from its investigation thus far and included it as Attachment 1.

Information that has surfaced as part of our initial inquiry into this matter suggests there were internal discussions about the merits of pigging the EOA lines even if such pigging was unnecessary to demonstrate compliance with the 1% leak detection standard. BP is continuing its inquiry into those discussions and decisions and will report to the Committee its findings.

- 2. The order is signed by a BPXA employee named Jack M. Fritts who is identified as the Greater Prudhoe Bay Unit Operations Manager. Does Mr. Jack M. Fritts still hold this position with the company? If not, is Mr. Fritts still employed by BPXA? If not, explain why not and provide the Committee with any documents surrounding his departure. Who did Mr. Fritts report to when this order was signed, and is that person still employed by BPXA?**

Jack Fritts retired from BPXA effective July 1, 2005. I have attached the announcement of his retirement as well as the note that Mr. Fritts distributed at the time of his departure. On May 14, 2002, Mr. Fritts was reporting to George Blankenship, the Field Manager for Greater Prudhoe Bay. Mr. Blankenship is no longer employed by BPXA as he now works in Moscow with TNK-BP as Vice President, Upstream Technology. We are contacting Mr. Blankenship and others copied on the COBC document to obtain their perspective on the order.

We have been asked whether it was unusual for someone at Mr. Fritts' level to have signed such an order from the State of Alaska. At or about the same time, BPXA was engaged in regular interactions with ADEC around compliance issues that arose in the context of BPXA's disclosure obligations under the October 2000 Compliance Agreement resulting from its 1999 Endicott plea agreement. This COBC compliance mechanism was chosen as a means of resolving the issue consistent with the requirements of the Compliance Agreement. These compliance issues were largely negotiated and agreed at the field level and appear consistent with BPXA's delegation of authority at the time.

- 3. Why was this Order not provided to the Committee by BPXA pursuant to the Committee's document request letter of August 31, 2006?**

In the weeks preceding the September 7 O&I hearing, BPXA had been gathering documents to comply with a Grand Jury subpoena from the Department of Justice. This document collection effort has resulted in the retrieval of millions of pages of documents which continue to be loaded into a database for electronic retrieval and searches. BP personnel were also having discussions with Committee staff about documents and materials that might be of assistance in its investigation and were preparing responsive materials to the August 31, 2006 letter. Committee

staff clearly identified documents relating to pigging and potential solids accumulations in the OTL lines as an area of interest. I have been advised that in the short time before the hearing, BPXA requested that documents from individuals or groups (e.g. CIC) that we thought could have responsive material be loaded into the database so that an electronic search could be performed. The search included topics related to corrosion, sediments and pigging among others, but did not include a specific reference to "COBC" by name. The results of the search included documents that referred to leak detection and sediments, but no documents contained a reference to the COBC related to the leak detection compliance issue. It does not appear as though the individuals preferentially loaded for purposes of the search were involved in the COBC. We have now revised our search terms to include COBC explicitly and to also search for documents from those individuals directly related to or copied on the compliance order.

When a copy of the COBC was discovered in a file in late September, we recognized its relevance to the Committee's investigation and the subjects identified by Committee Staff. BPXA immediately began gathering files relating to the COBC. While BPXA continues to search for relevant documents, it has delivered what has been found to date to Committee staff or is in the process of reviewing it to be provided.

We have found no evidence that the failure to produce the COBC was intentional. It was an apparent oversight stemming from the fact that the COBC was primarily directed at issues of leak detection rather than corrosion, and the two issues were not appropriately connected in our hearing preparations.

We are continuing to investigate these matters and will supplement this letter as we finish our work.

- 4. Prior to their sworn testimony before the Committee on September 7, 2006, was either Mr. Robert A. Malone or Mr. Steve Marshall briefed or otherwise made aware of the existence of this Compliance Order? If not, why not? If so, why didn't either of them discuss the Order in their written testimony, oral testimony, or in response to questions posed by the members of the Committee?**

Neither Mr. Marshall nor I was briefed on or otherwise made aware of the existence of this Compliance Order and neither of us had any recollection of its existence prior to the September 7 hearing. After the COBC was discovered, I was made aware of an email that was directed to me summarizing the COBC contents at the time I was BP's US Western Regional President. I have no memory of this email. Similarly, after the COBC resurfaced, Mr. Marshall recalled discussing the issues surrounding the leak detection system and the COBC shortly after his

arrival as President of BPXA. But, Mr. Marshall did not recall the COBC requirements concerning pigging or the determination of sediment levels.

I have asked for a review of why additional information related to sediments and pigging was not made available in the context of our hearing preparations and will provide these findings to the Committee as well.

BP regrets the confusion surrounding the production of the COBC and related files. I reaffirm that BP will provide its full cooperation to the Committee and continue to assist staff in its investigation.

Sincerely,

A handwritten signature in dark ink, appearing to read "R. A. Malone", with a long, horizontal, slightly wavy underline extending to the right.

Robert A. Malone

ATTACHMENT 1

Leak Detection COBC Summary

Alaska Department of Environmental Conservation ("ADEC") regulations at 18 AAC 75.055(a)(1) require a crude oil transmission pipeline to be equipped with a leak detection system capable of promptly detecting a leak, including, if technically feasible, the continuous capability to detect a daily discharge equal to not more than one percent of daily throughput. The regulations were developed in 1992 and applied to DOT Part 195 regulated common carrier lines. In 1997, ADEC broadened its definition of "transmission pipelines" to encompass the oil transit lines in the BPXA operated Western Operating Area ("WOA") of Prudhoe Bay and the ARCO Alaska, Inc. ("AAI") (now known as ConocoPhillips Alaska Inc.) operated Eastern Operating Area ("EOA").

In January of 1999, ADEC issued a conditional approval to both BPXA and AAI for the renewal of each company's oil discharge prevention and contingency plan ("C-Plan"). One of the conditions of approval for each C-Plan was Condition number 8 – which required BPXA and AAI to individually submit to ADEC a proposed leak detection system for their respective oil transit lines by the end of August 1999. Each company met those deadlines. However, ADEC determined that both submittals were too general and did not meet the best available technology ("BAT") requirements. In October of 1999, each company resubmitted its plans and ADEC later determined that the submittals were adequate for public review.

At the time, BP was in the process of acquiring Atlantic Richfield Company (ARCO) and the parent of ARCO Alaska Inc. As part of the federal regulatory review process associated with the merger, BP and ARCO sold the Alaskan assets of ARCO, including ARCO Alaska Inc. and all of its North Slope assets to Phillips Petroleum Company and ARCO Alaska Inc. was renamed Phillips Alaska Inc. in the spring of 2000. Several months later on July 1, 2000, the State of Alaska and the owners of the Prudhoe Bay field authorized BPXA to take over as sole operator of both the WOA and the EOA.

After BPXA assumed operatorship of the EOA, ADEC and BPXA began discussions of whether the 1% leak detection threshold and the BAT requirement should be applied to the entirety of the Prudhoe Bay field or each of the six segments within the EOA and WOA lines. BPXA submitted a proposal for the system as a whole in October of 2000 and in December of 2000, ADEC determined it was inadequate and required BPXA to develop an engineering evaluation for meeting the 1% standard using existing meters and other metering technology for each individual component segment by January 31, 2001.

In early 2001, BPXA committed to a testing and evaluation program for flow meters at each of the un-metered intersections of the Prudhoe Bay oil transit line

network. BPXA was evaluating two types of metering systems it could use to meet the 1% threshold: strap on ultra-sonic meters and turbine flow meters. The strap-on meters were tested in April/May in the Flow Station 2 to Flow Station 1 30-inch pipeline segment. The meters did not yield good flow results and it was surmised that the 30-inch EOA line had a significant buildup of sediment. In September of 2001, BPXA was evaluating the operational and manpower impacts at Prudhoe Bay and Alyeska of an EOA pigging operation to see if it was feasible. Since neither the 30-inch nor the 34-inch EOA lines had been pigged since the early 1990's it was also assumed that the 34-inch EOA pipeline also contained significant sediment buildup from Flow Station 1 to Skid 50 at the inlet to the Trans-Alaska Pipeline. BPXA also determined during this timeframe that the pig receiver at Skid 50 needed to be modified in order to conduct pigging operations. It became obvious in late 2001 that the December 31, 2001 deadline for an operational leak detection system field wide would not be met.

BPXA and ADEC met in early January of 2002 and agreed that more time was needed in order for BPXA to install an operational system and, via letter dated January 31, 2002, BPXA submitted information requested by ADEC to be used in preparing a draft Compliance Order by Consent. BPXA also submitted an Attachment to the letter that contained a list of remedial activities it would propose to undertake to develop a compliant leak detection system for each segment of Greater Prudhoe Bay. BPXA proposed several activities to assist in determining pre-meter installation and testing:

- Determine sediment levels in both the EOA and WOA pipelines at Skid 50
- If sediment is present, the following activities are necessary:
 - Modify the EOA pig receiver at skid 50
 - Pig the 34 inch EOA pipeline from Flow Station 1 to Skid 50
 - Pig the WOA pipeline segments, if necessary
- Test Clamp-on meters at Skid 50
- If necessary, test other meter technology at Skid 50
- Select meters to be used for leak detection

In its March 21, 2002 C-Plan at section 4.7, BPXA also reiterated that, due to sediment accumulation, it was likely necessary to pig at least some portions of the Prudhoe Bay pipelines. The C-Plan stated that "in order to utilize clamp-on ultrasonic meters, clean pipe is required. Prior testing of clamp-on ultrasonic meters indicated significant sediment build up in piping. Before proceeding with further testing, the piping must be cleaned. BPXA is presently evaluating a pigging program for the eastern GPB piping. The western GPB piping was pigged three years ago and is not considered necessary for testing the leak detection system." BPXA also noted an impediment to pigging at least some

portion of the EOA line, stating that "due to low flow velocities in the FS-2 segment, clamp-on meters may not be a viable solution. It will also be difficult to pig the line for this same reason." ADEC approved this C-Plan revision on April 29.

In May 2002, ADEC and BPXA signed the leak detection COBC. Paragraph 23 of the COBC required the following activities to be completed by BPXA :

- A. Determine sediment level in the EAO and WOA pipelines at Skid 50
- B. Modify EOA pig receiver at skid 50
- C. Pig EOA pipeline from FS-1 launcher to Skid 50
- D. Pig WOA pipeline segments if necessary
- E. Test and select flow meters at EOA pipeline, Skid 50 if necessary
- F. Complete WOA crude oil flow smoothing modifications
- G. Install and test meters on all pipelines
- H. Evaluate and establish leak detections systems' compliance

The COBC also required BPXA to submit monthly status reports. BPXA has submitted to the Committee copies of the monthly status reports as well as other BPXA/ADEC correspondence it has located in its files thus far.

Following is a summary of the tasks

Task A: Completed in June 2002. The process to determine sediment level at Skid 50 was to use the portable strap on ultrasonic flow meter.

Task B: Completed in June 2002

Task C: Eliminated - BPXA proposed via letter dated August 9, 2002 that these tasks be eliminated, stating:

"The lack of appreciable sediment build-up in the EOA crude oil transmission pipeline segments, Flow Station 2 excepted, has eliminated the immediate operational need to conduct pigging operations for the purpose of utilizing ultrasonic clamp-on meters. The Flow Station 2 segment was analysed and the low flow velocity condition made routine pigging of this segment impractical. Installation of a new turbine meter and associated piping appears to be a better option over a strap-on meter for the flow Station 2 segment. The turbine meter-run, will be reduced diameter piping providing increased velocity and greater accuracy, while minimizing the potential for future sediment buildup."

Task D: Eliminated – BPXA proposed via letter dated August 9, 2002, to eliminate this requirement stating as follows:

"The lack of appreciable sediment build-up in the WOA segments of the GPB crude oil transmission pipelines has eliminated the immediate operational need to conduct pigging operations for the purpose of utilizing ultrasonic clamp-on meters."

On August 14, 2002, ADEC sent a letter to BPXA concurring with the "completed" status of Tasks A and B and agreeing that that Tasks C and D could be eliminated.

Task E: Completed in June 2002

Task F: Completed in November 2002.

Task G: Completed in November 2002.

Task H: Completed and ADEC witnessed testing in December 2002.

In an April 3, 2003 letter to BPXA ADEC formally closed out the COBC because BPXA's December 2002 test of the six Prudhoe Bay pipeline segments had established compliance with the state's 1% standard and the BAT leak detection requirements.

From: Copeland, Kemp
Sent: Thursday, June 02, 2005 8:05 AM
To: G GPB Anc/Slope All Staff
Subject: ~~Jack Fritts~~ Retirement

GPB Employees,

Jack Fritts has elected to retire from BP effective July 1, after a 28 year career with the Company. Jack started work with ARCO in 1977 and spent the first 21 years of his career in Denver City, Andrews, Midland and Bakersfield. He moved to Alaska in 1998, and served as the FS-3, GC-2 and Gas Plants OTL before being appointed as GPB Operations Manager in late 2000.

Jack has made a huge contribution to the success of BP Alaska and GPB, through some challenging times. Jack has been a key leader and a stabilizing force in the BP/ARCO integration and in the succession of improvement initiatives that have followed. These efforts have built the foundation for a long and successful future for BPXA and GPB. Jack's considerable leadership capability and his way with people will be missed.

We're in the latter stages of selecting Jack's replacement, which will be the subject of a future announcement.

Please join me in thanking Jack for his considerable contributions and wishing him and Sheila the very best in their future endeavors. They plan to re-locate to Tulsa, Oklahoma where they will be able to spend a lot more time with their children, grandchildren, parents and siblings.

Kemp Copeland
GPB Field Manager

From: Fritts, Jack M
Sent: Friday, July 01, 2005 1:50 PM
To: G GPB Slope Users
Subject: Farewell

As I have mentioned to many of you over the last few weeks it is with mixed emotions that I leave Greater Prudhoe Bay today. It has been an honor and a privilege to have helped manage this world class staff that operates America's largest and best run oilfield. Over the last 5 years, while I was the GPB Operations Manager, we have made some significant accomplishments as we moved to single operator at GPB.

In those years, thanks to each of you, our outstanding safety record continued to improve year on year even with enormous changes in our organization and leadership team. Field production decline moved from an historic 10% to ~8%. Operating cost remained virtually flat through this period, while integrity and reliability across the field has continued to improve.

You will have many challenges in the future as you continue to operate what is still America's largest field that still holds a tremendous reserve base. It will take everyone's effort as you "Bridge to Gas" to make sure the oil business stays viable. I wish you all the best in this endeavor.

I would ask you to please support John Kurz, new GPB Ops Manager, when he returns from Egypt to start his new job. I have spent the last few weeks with him and truly believe he will work very hard to support each of you individually and the great team we have built here at GPB. Going from two operations managers to one it will be a challenge for John to be as visible as we were in the past, so please be patient. Also, if any issues arise in the future be sure and give him the benefit of the doubt. Just call and give him a chance to resolve or explain when something comes up.

I will miss the people here at GPB more than anything, but have made this decision to be closer to my family in Oklahoma. Thanks for everything you've done to help me and GPB be successful.

You're the greatest,

Jack Fritts